

Depot-Level Maintenance and Repair Workload



March 1996

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19961002 072

**OFFICE OF THE SECRETARY OF DEFENSE
REPORT TO CONGRESS
DEPARTMENT OF DEFENSE
DEPOT-LEVEL MAINTENANCE AND REPAIR WORKLOAD**

OVERVIEW

Depot-level maintenance and repair entails repair, rebuilding, and major overhaul of weapon systems (e.g., ships, tanks, and aircraft), parts, assemblies, and subassemblies. It also includes limited manufacture of parts, technical support, modifications, testing, and reclamation as well as software maintenance. Depot maintenance is currently accomplished by some 89,000 Federal Government employees ranging from highly trained technicians and skilled artisans to engineers and top-level managers. The Military Services currently operate 30 major depot maintenance facilities (some of which are in the process of being closed as DoD maintenance depots). Additionally, the Department uses in excess of 1,300 U.S. and foreign commercial firms to support its depot maintenance requirements. Depot maintenance of DoD weapon systems and equipment is a \$13-14 billion a year business. DoD policy governing depot maintenance operations is predicated on providing flexible, timely and cost-effective depot maintenance support, as well as retaining military control over certain essential capabilities. This policy is necessarily shaped by Departmental requirements for readiness, sustainability and support; by evolving national military strategy requirements; and by external considerations such as legislative mandates. A separate report outlining the Department's integrated policies for depot maintenance management has been concurrently provided to the Committee on Armed Services of the Senate and the Committee on National Security of the House of Representatives.¹

There has always been considerable interest in the size of the organic infrastructure maintained to support depot-level workload requirements, specifically in the workload types and levels accomplished using public sector capabilities. Prior to 1988, DoD maintenance capabilities were comprised of a large organic depot maintenance complex that was a legacy of the Cold War. It was designed to sustain protracted engagement of sizable forces engaged globally against a substantial enemy. This structure was based on the premise that the essential skills, facilities, and equipment were not readily available in the private sector. With the end of the Cold War and the beginning of the base realignment and closure (BRAC) process, DoD has undertaken a significant downsizing of the organic depot maintenance structure. Contributing to the ability to downsize is industry's increasing capability to provide repair and maintenance services for high-technology military hardware. High quality, efficient maintenance service providers have emerged for many DoD overhaul requirements, creating a competitive private sector base from which the DoD can often achieve best value.

¹ Report on Policy Regarding Performance of Depot-Level Maintenance and Repair for the Department of Defense, Office of the Secretary of Defense, March 1996.

It has become apparent that private sector wartime support of some mission essential systems and components can be assured with acceptable risk. The Department, however, recognizes that some capabilities must be maintained under direct Department control and carried out in a DoD facility by Federal Government employees and that some workloads may remain most cost effective within the organic structure. These CORE capability requirements are derived from applicable Joint Chiefs of Staff contingency scenarios and requirements -- currently the two-Major Regional Contingency (MRC) scenario.

The expenditure data presented in this report show that the Department has generally complied with statutory requirements regarding accomplishment of depot-level maintenance and repair work by non-Federal Government employees. The prospective data displaying programmed funding for FY 1997-FY 2001 demonstrate that somewhat reduced workloads can be accomplished in the public sector in support of quantitatively derived CORE capability and related requirements. The Department can and should increase its reliance on the private sector to reduce organic infrastructure costs and where possible, reap the benefit of competitive private sector support capabilities. In this time of diminishing Defense budgets, the Department believes that the cost of providing essential wartime capabilities and performing all depot maintenance work can be reduced. Sizing organic depots to provide CORE capabilities is more effective than ensuring that no more than 40 percent of the funds made available in a fiscal year to each Military Department for depot-level maintenance and repair is used to contract for the performance by non-Federal Government personnel of such workload, as currently required by statute. The current statutory "60/40" requirement is arbitrary and undermines effective depot maintenance management. Such a restriction prevents DoD from taking full advantage of private sector opportunities and is counter to efficient government and managerial principles. The Department has in place, and practices the necessary management of its depot maintenance program to justify revision of the current legislative limitations on depot maintenance management.

Several approaches were used to compile this report. Section I contains data on the historic levels of funding for depot-level maintenance and repair workloads (FY 1991-FY 1995) that are based on Military Service review of past depot maintenance programmatic information. This data is presented in then year dollars given the singular objective of portraying the relative sizes of workloads accomplished by Federal Government employees (public sector) and non-Federal Government employees (private sector).

The projections of programmed funding for future workloads in Section II accommodate application of the revised CORE quantification methodology. This methodology is outlined and discussed in Section II. Workload projections also consider other programmatic information regarding the size and content of future total depot maintenance requirements. The data in Section II is presented in constant FY 1996 dollars to provide an indication of future depot maintenance program trends for each Military Department as well as the sizes of the respective shares of total workload estimated to be accomplished by Federal Government and non-Federal Government employees. Portraying the data in constant dollars more readily provides significant trend information for the overall program and for the public/private sector shares.

The data in both Sections I and II are arrayed in terms of dollars; not direct labor hours (DLHs). The Department does not collect or project non-Federal Government employee depot maintenance support levels in DLHs. It has been determined that such data is not normally contracted for, nor would it be cost-effective to do so.

Finally, Section III provides, as required by the Congress, discussion and analysis of the need for and effect of the requirement under Section 2466 of Title 10, United States Code (U.S.C.), that no more than 40 percent of the funds made available in a fiscal year to a Military Department or a Defense Agency for depot-level maintenance and repair workload may be used to contract for the performance by non-Governmental Federal personnel. This Section is based on inputs from the Military Services as well as on work by staff maintenance analysts. In projecting programmed funding for future depot-level maintenance and repair workloads to be accomplished by Federal Government and non-Federal Government employees and presenting Department views of statutory restrictions (as requested by Congress), DoD considered the full range of national security interests of the United States and capabilities inherent within the industrial base comprising both public and private sectors.

This report is provided in compliance with the National Defense Authorization Act for Fiscal Year 1996. Future workload projections and the Department's position on removing existing statutory limitations reflect full consideration of: (1) the readiness and sustainability requirements of DoD forces, and (2) the optimum use of Department resources. The requirement for this report to Congress is outlined below.

REPORT REQUIREMENT

Section 311 of the National Defense Authorization Act for Fiscal Year 1996 states:

It is the sense of Congress that there is a compelling need for the Department of Defense to articulate known and anticipated CORE maintenance and repair requirements, to organize the resources of the Department of Defense to meet those requirements economically and efficiently, and to determine what work should be performed by the private sector and how such work should be managed.

Section 311, paragraph (c), directs the Secretary of Defense to develop and report to the Committee on Armed Services of the Senate and the Committee on National Security of the House of Representatives a comprehensive policy on the performance of depot-level maintenance and repair for the Department of Defense that maintains the capability described in Section 2464 of Title 10, U.S.C. That report has been provided under separate cover. Section 311, paragraph (i) outlines the requirements for this current report on depot-level maintenance and repair workload. Specifically, it requires that not later than March 31, 1996, the Secretary of Defense shall submit to the Congress a report on the depot-level maintenance and repair workload of the Department of Defense. The report shall, to the maximum extent practicable, include the following:

1. An analysis of the need for and effect of the requirement under Section 2466 of Title 10, U.S.C., that no more than 40 percent of the funds made available in a fiscal year to a Military Department or a Defense Agency for depot-level maintenance and repair workload may be used to contract for the performance by non-Governmental Federal personnel, including a description of the effect on military readiness and the national security resulting from this requirement, and a description of any specific difficulties experienced by the Department of Defense as a result of that requirement.

2. An analysis of the distribution, during the five fiscal years ending with fiscal year 1995, of the depot-level maintenance repair workload of the Department of Defense and non-Government personnel measured by direct labor hours and by amount expended, and displayed, for that five-year period and for each year of that period so as to show (for each Military Department (and separately for the Navy and Marine Corps)) such distribution.

3. A projection of the distribution, during the five fiscal years beginning with fiscal year 1997, of the depot-level maintenance and repair workload of the Department of Defense between depot-level activities of the Department of Defense and non-Government personnel measured by direct labor hours and by amounts expended, and displayed, for that five year period and for each year of that period so as to show (for each Military Department (and separately for the Navy and Marine Corps)) such distribution that would be accomplished under a new policy as required under subsection (c).

REPORT CONTENT

In compliance with the above outlined reporting requirement, this report consists of the following sections:

<u>Section</u>	<u>Title</u>
I	Data Concerning Funding for Depot-Level Maintenance and Repair Workloads Accomplished by Federal Government and Non-Federal Government Personnel, FY 1991 - FY 1995
II	Projected Programmed Funding for Depot-Level Maintenance and Repair Workloads Accomplished by Federal Government and Non-Federal Government Personnel, FY 1997 - FY 2001
III	Section 2466 of Title 10, U.S.C., General Management

SECTION I

DATA CONCERNING FUNDING FOR DEPOT-LEVEL MAINTENANCE AND REPAIR WORKLOADS ACCOMPLISHED BY FEDERAL GOVERNMENT AND NON-FEDERAL GOVERNMENT PERSONNEL, FY 1991-FY 1995

Tables 1 through 5 reflect data pertaining to funding for DoD depot-level maintenance and repair workloads accomplished by Federal Government and non-Federal Government personnel during FY 1991-FY 1995. Funding for workloads accomplished by Federal Government personnel is based on actual execution, while funding for workloads accomplished by non-Federal Government personnel is based on actual obligations. Consistent with the decision to portray actual program execution data in then year dollars for each fiscal year, workload was collected from the public sector depots that performed the work. The most significant impact of this decision is that interservice workload is reflected in the total of the performing Service, not the requiring Service. Other data portrayals (e.g., appropriation or obligation) align these workloads to the requiring Service. These data were compiled in such a manner as to accurately reflect the level of depot-level maintenance accomplished.

The data portrayed pertain to actual program funding which reflects the depot maintenance that was conducted. Further, the data include the costs associated with the performance of all depot-level maintenance workload regardless of the funding source and the location where the work was conducted. Consequently, work from several facilities that are not part of the Defense Business Operating Fund (DBOF) is included as well as depot maintenance from several facilities primarily devoted to other purposes.

The following comments pertain to the data on workloads accomplished by **Federal Government** employees (public sector):

- **Included:** All workloads accomplished at maintenance depots, regardless of level, and including modifications and upgrades.
- **Included:** All costs including direct, indirect, and overhead costs; salaries; material and parts; utilities; depreciation; capital investment; facility repair; and support services.
- **Included:** Depot maintenance workloads from all funding sources, not just that funded from the depot maintenance program appropriation.
- **Included:** Depot workloads accomplished at facilities primarily devoted to other-than-depot-level maintenance purposes (except as identified below).
- **Included:** Workloads accomplished at non-DBOF depot maintenance facilities.
- **Not Included:** Cost comparability adjustments, DBOF adjustments, major Military construction projects, and procurement of major modifications applied in public sector depots.
- **Not Included:** Workloads accomplished at Army ammunition and other non-maintenance depot operations, and workloads accomplished at Navy Warfare Center non-maintenance operations.

The following comments pertain to the data on workloads accomplished by non-Federal Government employees (private sector):

- **Included:** All contract depot maintenance workloads including program manager and program executive officer administered contracts.
- **Included:** Contractor logistics support (CLS) and interim contractor support (ICS) for depot maintenance.
- **Not Included:** Costs incurred by the public sector maintenance depots for the purchase of raw materials and parts produced in the private sector as well as direct support services purchased by public sector depots. These costs are, however, included in the costs of the public sector.

In summary then, these data are presented with the perspective of the Military Departments as agents performing work for any and all customers. The data are presented in then year dollars.

TABLE 1
ARMY DEPOT-LEVEL MAINTENANCE AND REPAIR WORKLOADS
FY 1991-FY 1995

Distribution Of Army Funding For Depot Maintenance And Repair Workloads Accomplished By Federal Government Personnel And Non-Federal Government Personnel

(Then Year Dollars in Millions)

	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>
Total Workload	2,298	2,259	1,902	1,333	1,550
Public Workload	1,366	1,499	1,324	831	1,015
Private Workload	932	760	578	502	535

(Percent)

	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>
Public Workload	59	66	70	62	66
Private Workload	41	34	30	38	34

NOTE: Tables may not add due to rounding.

The data presented above in Table 1 include funding for depot maintenance operations accomplished by Federal Government and non-Federal Government personnel primarily at Army maintenance depots and private sector commercial firms. It does not include funding for Army ammunition and other non-maintenance depot operations. As can be seen, funding for the total Army depot-level maintenance and repair workload declined substantially over the five year period. Funding for workloads accomplished by Federal Government personnel declined slightly more slowly (down 26 percent) than did funding for workloads accomplished by non-Federal Government personnel (down 43 percent). Part of this difference can be

attributed to Army efforts to maintain the statutory balance between the funding for workloads accomplished by Federal Government and non-Federal Government personnel. In FY 1991, funding for Army workloads accomplished by Federal Government personnel, as calculated here, fell short of the 60 percent "floor" on such work. This was primarily due to the substantial level of support provided by non-Federal Government personnel for Army aviation depot maintenance. In redressing this imbalance in private sector work, Army funding for workloads accomplished by non-Federal Government personnel during FY 1992 and FY 1993 were allowed to decline more rapidly than funding for Federal Government personnel. The overall decline in funding associated with the total amount of work being accomplished, reflects the impact of the changing force structure and level of operations subsequent to the Gulf War.

TABLE 2
DEPARTMENT OF THE NAVY DEPOT-LEVEL MAINTENANCE AND
REPAIR WORKLOADS
FY 1991-FY 1995

Distribution Of Department of Navy Funding For Depot Maintenance And Repair Workloads Accomplished By Federal Government Personnel And Non-Federal Government Personnel*

(Then Year Dollars in Millions)

	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>
Total Workload	9,416	9,801	8,963	8,108	7,743
Public Workload	6,437	6,757	6,595	5,980	5,796
Private Workload	2,978	3,044	2,368	2,128	1,947

(Percent)

	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>
Public Workload	68	69	74	74	75
Private Workload	32	31	26	26	25

NOTES: Tables may not add due to rounding.

*FY 1991-1993 data include strategic missiles; FY 1994 & 1995 do not.

The public workload data presented above in Table 2 include funding for depot maintenance operations accomplished by Federal Government personnel at Naval Aviation Depots, Naval Shipyards, Naval Surface Warfare Centers, Naval Undersea Warfare Centers, Naval Ordnance Centers, Space and Naval Warfare Command (SPAWAR), the Marine Corps Depot Maintenance Activities, and private sector commercial firms.

TABLE 3
NAVY DEPOT-LEVEL MAINTENANCE AND REPAIR WORKLOADS*
FY 1991-FY 1995

**Distribution Of Navy Funding For Depot Maintenance And Repair
 Workloads Accomplished By Federal Government Personnel And
 Non-Federal Government Personnel****

(Then Year Dollars in Millions)

	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>
Total Workload	9,288	9,616	8,770	7,924	7,506
Public Workload	6,313	6,576	6,405	5,797	5,571
Private Workload	2,975	3,040	2,365	2,126	1,935

(Percent)

	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>
Public Workload	68	68	73	73	74
Private Workload	32	32	27	27	26

NOTE: Tables may not add due to rounding.

*These data are exclusive of Marine Corps data that is presented below.

**FY 1991-1993 data include strategic missiles; FY 1994 & 1995 do not.

TABLE 4
MARINE CORPS DEPOT-LEVEL MAINTENANCE AND REPAIR WORKLOADS
FY 1991-FY 1995

**Distribution Of Marine Corps Funding For Depot Maintenance And Repair
 Workloads Accomplished By Federal Government Personnel And
 Non-Federal Government Personnel**

(Then Year Dollars in Millions)

	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>
Total Workload	128	184	193	185	237
Public Workload	124	181	190	183	225
Private Workload	3	3	3	2	12

(Percent)

	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>
Public Workload	97	99	98	99	95
Private Workload	3	1	2	1	5

NOTE: Tables may not add due to rounding.

The data presented in Table 4 above include funding for depot maintenance operations accomplished by Federal Government and non-Federal Government personnel primarily at the Marine Corps Depot Maintenance Activities and a relatively small amount of work carried out in private sector commercial firms. Funding for depot-level maintenance and repair workloads accomplished by Federal Government personnel grew by nearly 46 percent from FY 1991 to FY 1992 and then gradually increased another 24 percent by FY 1995. The FY 1994 level of funding for workloads accomplished by Federal Government personnel reflects the Marine Corps decision to work off increased amounts of funded carryover workload. The FY 1995 level of funding for workloads accomplished by non-Federal Government personnel reflects a substantially increased level of such support which will apparently be sustained in the future.

TABLE 5
AIR FORCE DEPOT-LEVEL MAINTENANCE AND REPAIR WORKLOADS
FY 1991-FY 1995

Distribution Of Air Force Funding For Depot Maintenance And Repair Workloads Accomplished By Federal Government Personnel And Non-Federal Government Personnel

(Then Year Dollars in Millions)

	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>
Total Workload	3,914	3,998	4,111	3,986	3,882
Public Workload	2,512	2,566	2,643	2,873	2,775
Private Workload	1,402	1,432	1,468	1,113	1,107

(Percent)

	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>
Public Workload	64	64	64	72	71
Private Workload	36	36	36	28	29

NOTE: Tables may not add due to rounding.

The data presented above in Table 5 include funding for depot maintenance operations primarily carried out at Air Force Air Logistics Centers, the Aerospace Guidance and Metrology Center, the Aerospace Maintenance and Regeneration Center, other Air Force depot maintenance support activities and, in the case of private sector workload, at commercial firms. Total funding for Air Force depot-level maintenance and repair grew 5 percent from FY 1991 to FY 1993 and then declined 6 percent by FY 1995. Funding for workloads accomplished by non-Federal Government personnel increased steadily over the period until FY 1994.

SECTION II

DATA CONCERNING PROJECTED PROGRAMMED FUNDING FOR DEPOT- LEVEL MAINTENANCE AND REPAIR WORKLOADS ACCOMPLISHED BY FEDERAL GOVERNMENT AND NON-FEDERAL GOVERNMENT PERSONNEL FY 1997-FY 2001

This section first outlines the Department's CORE quantification methodology. It is the Department's position, as described in Section III, that this methodology should replace the legislative requirement of Section 2466 of Title 10, U.S.C. The remainder of this section then provides data on the projected funding of depot maintenance and repair workloads of the Military Services for FY 1997-FY 2001 based on implementation of the CORE quantification methodology.

The Department establishes CORE depot maintenance capabilities to meet essential wartime demands, promote competition, and sustain institutional expertise. These capability requirements shape the minimum amount of organic depot facilities, equipment, and personnel that DoD maintains as a ready and controlled source of technical competence. CORE capabilities mitigate the operational risks associated with maintaining readiness for, successfully completing, and expeditiously recovering from contingency operations. DoD considers and manages CORE requirements from a DoD perspective (i.e., the integrated totality of the individual Service CORE requirements equal the DoD CORE requirement). The Department is moving to size the organic sector consistent with CORE requirements (including "last source of repair" and "best value" requirements) and is further pursuing downsizing commensurate with changes in requirements and overall force structure. In considering the organic, or public sector, DoD is looking to establish and retain a lean but robust, technologically proficient infrastructure.

The current DoD CORE policy describes CORE in these terms:

Depot maintenance CORE is the capability maintained within organic Defense depots to meet readiness and sustainability requirements of the weapon systems that support the JCS contingency scenario(s). CORE exists to minimize operational risks and to guarantee required readiness for these weapon systems. CORE depot maintenance capabilities will comprise only the minimum facilities, equipment, and skilled personnel necessary to ensure a ready and controlled source of required technical competence. Depot maintenance for the designated weapon systems will be the primary workloads assigned to DoD depots to support CORE depot maintenance capabilities.

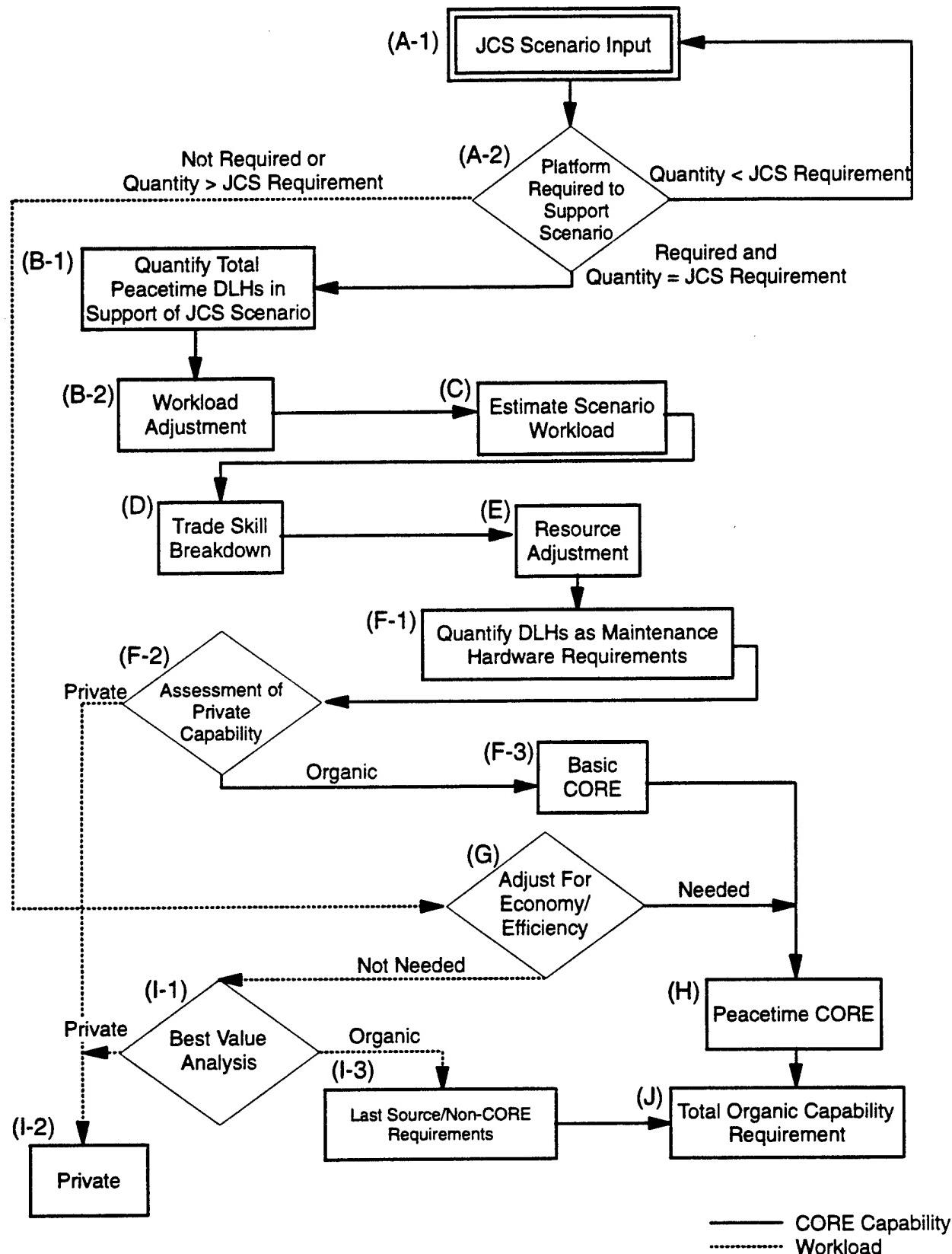
It is important to note, not all critical or mission-essential weapon systems and equipment will necessarily be maintained in organic depot maintenance facilities, but the capability to perform depot maintenance on designated weapon systems must be maintained organically. Simply put, CORE represents the minimum amount of maintenance capability that the DoD Components must maintain in organic depot facilities to ensure that contingency operations are not compromised because of lack of essential depot maintenance support.

The DoD CORE policy provides a sound basis for the identification of the depot maintenance capabilities which ensure a ready and controlled organic source of technical competence. In order to efficiently maintain these CORE capabilities, organic depot facilities, equipment, and personnel resources are used to accomplish a broad range of depot maintenance workload in support of peacetime operations. Most of this workload involves the overhaul or repair of weapon systems identified in the JCS scenarios and their components. Such work occasionally includes fabrication of parts when not readily available from normal sources. Modifications on selected systems are also sometimes accomplished as necessary and appropriate in conjunction with CORE workload requirements. Organic workload will continue to include "best value" (no economical private sector source) and "only source of repair" (no private sector source) work. In sizing the organic base to match the CORE requirements as well as last source and best value, a single shift, forty hour work week standard is used, thus preserving the depot's capability to instantaneously respond to surge requirements via expanded work hours during emergency operations.

Organic capability requirements will change as the result of factors such as: force structure changes, changing threats, introduction of new weapon systems, the aging or modification of existing weapon systems, added capabilities of the private sector, or even changes in battle doctrine. For these reasons it is necessary to review the CORE capability requirements on a regular basis, or when the situation dictates. These reviews are conducted at a minimum of every two years and must be based on the JCS Defense Planning Guidance. Just as the capability requirements change, the workloads required to support these capabilities will also change.

The determination of CORE capability requirements, and the depot maintenance workloads necessary to sustain these capabilities, are developed by each Service using a jointly agreed upon methodology. The totality of each of those calculations then becomes the DoD requirement.

The methodology used by the Military Services in determining their CORE capability requirements, and the workloads necessary to sustain these capabilities, is depicted in the diagram below. This process was recently refined by the Services and approved by the Defense Depot Maintenance Council (DDMC). The chief difference from past practice is a predilection towards accomplishment by non-Federal Government employees of those workloads that are not required to support a capability necessary to the Military Department Secretary's organic industrial base. For those workloads, the Military Service must conduct an assessment of private capabilities. If it is determined that non-Federal Government employees can provide the required capability with acceptable risk, reliability and efficiency, then the workload should be made available for a best value assessment. Additionally, the Services now recognize that not all of the depot maintenance on a particular weapon system is necessary to sustain CORE capabilities. There may be a mix of Government and non-Federal Government personnel support for the same system. Each step outlined is explained in the text following the diagram.



CORE Methodology

BLOCK A-1 – JCS SCENARIO INPUT. The determination of the total DoD organic depot-level capability is based on the JCS combat contingency scenario(s) and JCS Defense Planning Guidance. Each Service's required organic capability, expressed in direct labor hours (DLHs), will vary according to their different roles in support of the JCS scenario(s).

BLOCK A-2 -- PLATFORM REQUIRED TO SUPPORT SCENARIO. Each Service determines the specific platform (e.g., Abrams A-1 tank, F-14, F-15) required to support the selected JCS scenario. If the platform is required, quantify and compare the scenario requirements with the respective total active inventories to identify any inadequacies. If the platform quantity is not available, notify JCS. If the platform quantity is available and equal to the JCS requirement, go to Block B-1 (Quantify Total Peacetime DLHs in Support of JCS Scenario). If the platform quantity is greater than the JCS requirement, the amount equal to the JCS requirement goes to Block B-1 (Quantify Total Peacetime DLHs in Support of JCS Scenario), and the amount greater than the JCS requirement goes to Block G (Adjust for Economy/Efficiency). If the platform is not required, go to Block G (Adjust for Economy/Efficiency).

BLOCK B-1 -- QUANTIFY TOTAL PEACETIME DIRECT LABOR HOURS (DLHs) IN SUPPORT OF JCS SCENARIO. Determine the peacetime DLHs for those platforms necessary to support the JCS scenario. This is accomplished by dividing the JCS scenario platform requirements by the occurrence factor (e.g., number of years between return to depot) multiplied by the platform work package/norm. The platform work package/norm is determined by each Service and based on their different roles in support of the JCS scenario.

BLOCK B-2 -- WORKLOAD ADJUSTMENT. Adjust workload for experience and scenario driven factors. Develop scenario workload experience for those quantities passed from B-1 (Quantify Total Peacetime DLHs in Support of JCS Scenario). The Services use either a composite, weighted average or platform specific factor to consider readiness, sustainability, and/or return to peacetime readiness in their calculations. The specific workload factors will be determined by available information from scenario models (which include factors for platform OPTEMPO, attrition, etc.), occurrence factors, historical peacetime/wartime reliability and maintenance factors (e.g., DESERT SHIELD/DESERT STORM), and other scenario-driven factors.

BLOCK C – ESTIMATE SCENARIO WORKLOAD. Estimate workload-based readiness/sustainability requirements. Using the information from Block B-2 (Workload Adjustment), determine the scenario-related workload in DLHs.

BLOCK D -- TRADE SKILL BREAKDOWN. Determine depot skills required. Using Block C (Estimate Scenario Breakdown) as a basis, identify the depot-level capabilities by skill required to support the scenario-driven platforms and associated workload. This breakdown is not part of the numerical calculation.

BLOCK E -- RESOURCE ADJUSTMENT. Adjust for depot surge capacity. The resource adjustment is accomplished by applying a Service value to Block C (Estimate Scenario Workload) to reduce the scenario workload to peacetime staffing required DLHs. This adjustment reflects the work force's ability, through the use of overtime and additional workdays, to meet emergent requirements.

BLOCK F-1 – QUANTIFY DLHs AS MAINTENANCE HARDWARE REQUIREMENTS. The quantity of DLHs from Block E (Resource Adjustment) is divided by the platform work packages/norms to convert to the maintenance hardware requirement.

BLOCK F-2 – ASSESSMENT OF PRIVATE CAPABILITIES. If the capability associated with the maintenance hardware requirement is needed to support the Service Secretary's organic industrial base required for readiness and control, then go to Block F-3 (Basic CORE). If not, conduct a risk assessment to determine if maintenance sources exist in the private sector to support the platform/hardware requirement. This assessment will consider criteria such as: (1) Do private sources exist in the private sector that are economical and possess the maintenance capability and capacity to do the work? (2) Have private sources demonstrated proven past performance? If the assessment determines that the private sector can provide the required capability with acceptable risk, reliability and efficiency, then go to Block I-2 (Private). If not, then go to Block F-3 (Basic CORE).

BLOCK F-3 – BASIC CORE. Compute CORE with above adjustments. Basic CORE consists of the requirements identified in Block E (Resource Adjustment) minus the requirements transferred to the private sector in Block F-2 (Assessment of Private Capabilities).

BLOCK G – ADJUSTMENT FOR ECONOMY/EFFICIENCY. Apply economy/efficiency factor to keep the required minimum CORE support from being exorbitantly and prohibitively expensive. Capability utilization is examined and efficiency factors are applied to optimize throughput and ensure valuable personnel are fully utilized rather than left idle for long periods of time. The economy and efficiency adjustments are constrained by the number of personnel required to accomplish requirements identified in Block F-3 (Basic CORE). Examine the maintenance requirements for the platform types passed from Block A-2 (Platform Required to Support Scenario) or Block F-2 (Assessment Of Private Capabilities) for potential augmentation of like platforms/commodities or to improve economies of scale. If needed, go to Block H (Peacetime CORE). If not needed, go to Block I-1 (Best Value Analysis). Additional adjustments required by policy or law (e.g., adjustment necessary to meet "60/40") are also made at this point in the methodology.

BLOCK H – PEACETIME CORE. Basic CORE plus economy/efficiency adjustments. The result of adding Block F-3 (Basic CORE) to Block G (Adjust for Economy/Efficiency).

BLOCK I-1 -- BEST VALUE ANALYSIS. Usually private/private competition will determine best value. Work will be assigned to an organic depot only when private industry cannot meet Service requirements or if the capabilities are nonexistent in the private sector. If private, go to Block I-2 (Private) or if organic, go to Block I-3 (Last Source/Non-CORE Requirements).

BLOCK I-2 -- PRIVATE. Those platforms passed from Block F-2 (Assessment of Private Capabilities) and Block I-1 (Best Value Analysis) will be made available for support by the private sector (contracted out).

BLOCK I-3 – LAST SOURCE/NON-CORE REQUIREMENTS. Those requirements passed from Block I-1 (Best Value Analysis) will be accomplished by an organic source because there are compelling reasons that preclude privatization (e.g., no other sources, private industry is cost prohibitive, etc.).

BLOCK J – TOTAL ORGANIC CAPABILITY REQUIREMENT. Block H (Peacetime CORE) plus Block I-3 (Last Source/Non-CORE Requirements) results in an annual organic workload consistent with the JCS scenario requirements, expressed in DLHs.

As shown in the preceding diagram, the capability requirement determined as the result of the above methodology includes not only the CORE requirement, but also the capacity needed to handle last source adjustments for economy/efficiency and best value. It is also recognized that the detailed computation of CORE in peacetime will not perfectly anticipate contingency requirements if and when wartime operations commence. The inability to be precise in predicting exact wartime needs underscores the importance of our organic depot maintenance structure, which employs artisans in many classes of repair requirements who can be redirected towards the actual end items needed to support any arising contingency. In the aggregate it is anticipated that the pluses and minuses will balance. Hence, the overall computation of CORE will be a reasonable statement of requirements needed to establish and maintain contingency-driven weapon system support capabilities.

DoD establishes and maintains facilities, equipment, and trained personnel to provide DoD CORE depot maintenance capabilities. The activities at which these capabilities are maintained will be provided adequate peacetime workloading to effectively and efficiently use their CORE capabilities. Based on the quantification of CORE-related capability requirements, the data provided below outline the projected depot-level maintenance and repair workloads of the public and private sectors.

Tables 6 through 10 provide projections of future depot maintenance funding, expressed in dollars, for each Military Department (with the Navy and Marine Corps listed separately). The projected data for FY 1997-FY 2001 is from the perspective of the requiring Service or the customer with the need for depot maintenance support. This contrasts with the data portrayals in Section I of this report which were from the performing Service viewpoint. Displaying projected data from the perspective of the requiring Service is necessary since it is not practical to predict the performing activity of significant portions of outyear workload, be it in a Service own depot, through interservicing or by commercial contract. The tables do not include interim contractor support (ICS) or contractor logistic support (CLS) data. The tables break out the total

workload into the portions of that workload that are projected to be (1) performed by Federal Government employees in depot-level activities of the DoD, i.e., public sector workload, and (2) performed by non-Federal Government personnel, i.e., private sector workload. The tables also indicate the respective public sector and private sector percentages of the total workload. These projections assume acceptance by the Congress of the Department's depot maintenance policies (followed by the revision of current statutory Federal Government employee and non-Federal Government employee limitations, i.e., Sections 2466 and 2469 of Title 10, U.S.C.) and implementation of DoD's revised depot maintenance CORE quantification approach. Data projections for these tables assume that Federal Government employees would accomplish workloads required to sustain CORE capabilities, last source of repair workloads, and those workloads resulting from best value public-private competitions. Basically, all other workloads are assumed to be outsourced for accomplishment by non-Federal Government employees. It should be noted that this data is based on the Military Service's current budget and programming data and best estimates; some data, including that from the most current Program Objective Memorandum, may be dated.

Finally, these data are presented with the perspective of the respective Military Departments as principals requiring and paying for work from any and all providers. The data are presented in constant FY 1996 dollars.

TABLE 6
ARMY DEPOT-LEVEL MAINTENANCE AND REPAIR WORKLOADS
FY 1997-FY 2001

**Distribution Of Programmed Funding* for Army Depot Maintenance And Repair
 Workloads Accomplished By Federal Government Personnel
 And Non-Federal Government Personnel**

(Constant FY 1996 Dollars in Millions)

	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>
Total Workload	1,270	1,172	1,249	1,198	1,166
Public Workload	872	678	729	669	657
Private Workload	398	494	520	529	509

(Percent)

	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>
Public Workload	69	58	58	56	56
Private Workload	31	42	42	44	44

NOTE: Tables may not add due to rounding.

*These data do not include programmed funding for the depot maintenance-related portions of Interim Contractor Support (ICS) or Contractor Logistic Support (CLS).

The CORE computation requirement underlying the above data is based on projected depot maintenance requirements and refurbishment of key Army weapon systems following a two-Major Regional Conflict (MRC) scenario. By system, these requirements have been further defined into specific skills and capabilities. The revised CORE methodology emphasizes sustaining these capabilities and skills, rather than the specific weapon systems. It also provides for accomplishing in the private sector those workloads not absolutely essential for sustaining CORE capabilities. Using the revised methodology, Army CORE requirements are now calculated to be 11.22 million direct labor hours (DLHs). This is about 23 percent less than the CORE requirements calculated in FY 1994.

The Army data presented above are shaped by the following specific assumptions:

- Transfer of Red River Army Depot (RRAD) non-Bradley-related CORE capabilities to Anniston Army Depot (ANAD) and outsource (using full and open competition) workloads currently at RRAD, but no longer required to sustain CORE capabilities.
- Privatize (as a Government-owned, contractor operation (GOCO) facility) the tactical missile workloads at Letterkenny Army Depot (LEAD), as opposed to transferring this workload to Tobyhanna Army Depot (TYAD).
- The use of partnership arrangements (between public and private sector sources) for additional workloads (particularly small arms) which exceed those necessary to sustain CORE capabilities.

The data for the FY 1997-FY 2001 shows total programmed funding for Army depot maintenance workload declining over the period by about 8 percent. The funds used for accomplishment of depot-level and repair workloads by Federal Government personnel decrease approximately 25 percent, while the funds used for accomplishment of depot-level and repair workloads by non-Federal Government personnel increase almost 28 percent. As can be seen, it is projected that the Army will exceed the current Section 2466 statutory limitation that no more than 40 percent of the funds made available in a fiscal year for depot-level maintenance and repair workload may be used to contract for the performance by non-Governmental Federal personnel (private sector) in FY 1998. Workloads accomplished by Federal Government personnel are projected to level out at about 56 percent of total funded workload in the out years.

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TABLE 7
DEPARTMENT OF THE NAVY DEPOT-LEVEL MAINTENANCE
AND REPAIR WORKLOADS*
FY 1997-FY 2001

Distribution Of Programmed Funding for Department of Navy Depot Maintenance And Repair Workloads Accomplished By Federal Government Personnel And Non-Federal Government Personnel

(Constant FY 1996 Dollars in Millions)

	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>
Total Workload	5525	5474	5909	6213	5780
Public Workload	3386	3267	3130	3328	2939
Private Workload	2139	2207	2779	2885	2841

(Percent)

	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>
Public Workload	61	60	53	54	51
Private Workload	39	40	47	46	49

NOTE: Tables may not add due to rounding.

*These data do not include programmed funding for the depot maintenance-related portions of Interim Contractor Support (ICS) or Contractor Logistic Support (CLS).

The data presented above are for the entire Department of the Navy (DON). These data are discussed in more detail below in Table 8 and 9 with the Marine Corps separated from the other components of the Department of the Navy. Combined DON data show that during FY 1997-FY 2001, total depot maintenance increases about 5 percent. The larger changes apparent in the data are that the funds used for accomplishment of depot-level and repair workloads by Federal Government personnel decrease approximately 13 percent, while the funds used for accomplishment of depot-level and repair workloads by non-Federal Government personnel are projected to increase almost 35 percent. The DON is projected to exceed the current Section 2466 statutory limitation that no more than 40 percent of the funds made available in a fiscal year for depot-level maintenance and repair workload may be used to contract for the performance by non-Governmental Federal personnel (private sector) in FY 1998. The funds used for accomplishment of depot-level and repair workloads by Federal Government personnel are projected to remain at around 50 percent of total funded workload in the out years.

TABLE 8
NAVY DEPOT-LEVEL MAINTENANCE AND REPAIR WORKLOADS*
FY 1997-FY 2001

**Distribution Of Programmed Funding for Navy Depot Maintenance And Repair
 Workloads Accomplished By Federal Government Personnel And
 Non-Federal Government Personnel****

(Constant FY 1996 Dollars in Millions)

	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>
Total Workload	5,312	5,288	5,723	6,026	5,594
Public Workload	3,223	3,115	2,983	3,184	2,788
Private Workload	2,089	2,173	2,740	2,842	2,806

(Percent)

	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>
Public Workload	61	59	52	53	50
Private Workload	39	41	48	47	50

NOTE: Tables may not add due to rounding.

*These data do not include programmed funding for the depot maintenance-related portions of Interim Contractor Support (ICS) or Contractor Logistic Support (CLS).

**Does not include Marine Corps which is shown separately below.

The Navy's CORE computation requirement underlies the above data. The combined Navy CORE requirements for the Naval Air Systems Command (NAVAIR), the Naval Sea Systems Command (NAVSEA) and the Space and Naval Warfare Command (SPAWAR) declined substantially from the levels determined in FY 1994. Driven primarily by the changes in NAVSEA CORE requirements, total Navy public sector requirements have been reduced by over 30 percent.

The Navy data presented above are shaped by the following specific assumptions:

- Aviation depot and naval shipyard closures proceed with Long Beach Naval Shipyard being phased out in FY 1996 and NADEP Alameda and NADEP Norfolk depot maintenance operations being phased out in FY 1997.
- Additional outsourcing of depot maintenance workloads results from sizing remaining public sector depots to provide required CORE capabilities.

The data for FY 1997-FY 2001 show total Navy-programmed funding for accomplishment of depot-level maintenance and repair workload increases about 6 percent over the period. The larger changes are that the funds used for depot-level maintenance and repair workloads accomplished by Federal Government personnel decrease approximately 15 percent, while the funds used to contract for non-Federal Government personnel accomplishment are projected to

increase almost 39 percent. The funds programmed for use by Federal Government personnel are projected to remain at about 50 percent of total funded workload in the out years.

TABLE 9
MARINE CORPS DEPOT-LEVEL MAINTENANCE AND REPAIR WORKLOADS*
FY 1997-FY 2001

Distribution Of Programmed Funding for Marine Corps Depot Maintenance And Repair Workloads Accomplished By Federal Government Personnel And Non-Federal Government Personnel

(Constant FY 1996 Dollars in Millions)

	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>
Total Workload	213	186	187	187	185
Public Workload	163	152	147	144	151
Private Workload	50	34	39	43	35
(Percent)					
	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>
Public Workload	77	82	79	77	81
Private Workload	23	18	21	23	19

NOTE: Tables may not add due to rounding.

*These data do not include programmed funding for the depot maintenance-related portions of Interim Contractor Support (ICS) or Contractor Logistic Support (CLS).

The CORE computation requirement underlying the above data is based on projected depot maintenance requirements for Marine Corps principle end items (PEIs) and their associated secondary depot reparables (SDRs) which are mission essential for the deploying forces. The Marine Corps conducted a qualitative review of private sector sources to evaluate capabilities to perform specific workloads. Due to the small size of the Marine Corps non-CORE-related requirements currently accomplished by Federal Government personnel, and the relatively high cost of contracting out such small workloads; it was determined to be in the best interest of the Marine Corps to accomplish this maintenance using Federal Government personnel. Using the revised DoD methodology, Marine Corps CORE requirements are now calculated to be 2.0 million DLHs, basically unchanged from the previous computation. The Marine Corps identified a total organic capability requirement of 2.4 million DLHs comprised of CORE, interservice agreements, and a small amount of non-CORE workload.

The data for the FY 1997-FY 2001 show total Marine Corps depot maintenance workload declining over the period by about 13 percent. The funds used for accomplishment of depot-level and repair workloads by both Federal Government and non-Federal Government

personnel decrease approximately 13 percent. The funds used for accomplishment of work by Federal Government personnel are projected to remain above 75 percent during FY 1997-FY 2001. The Marine Corps projects a substantial increase, compared with FY 1991-FY 1995, in the level of support to be accomplished by non-Federal Government personnel.

TABLE 10
AIR FORCE DEPOT-LEVEL MAINTENANCE AND REPAIR WORKLOADS*
FY 1997-FY 2001

Distribution Of Programmed Funding for Air Force Depot Maintenance And Repair Workloads Accomplished By Federal Government Personnel And Non-Federal Government Personnel

(Constant FY 1996 Dollars in Millions)

	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>
Total Workload	3,700	3,604	3,764	3,815	3,712
Public Workload	2,421	2,054	1,834	1,755	1,710
Private Workload	1,279	1,549	1,930	2,060	2,002

(Percent)

	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>
Public Workload	65	57	49	46	46
Private Workload	35	43	51	54	54

NOTE: Tables may not add due to rounding.

*These data do not include programmed funding for the depot maintenance-related portions of Interim Contractor Support (ICS) or Contractor Logistic Support (CLS).

The CORE computation requirement underlying the above data focuses on both readiness and sustainability. It ensures that the Air Force establishes and retains the capabilities needed to assure competence in overseeing depot maintenance production that has both public and private sector elements. The Air Force will be focusing on rigorous risk assessments to facilitate refinement of their CORE requirements analyses and to better project it into the outyears. Using the revised DoD CORE methodology, preliminary Air Force calculations of their CORE requirements amount to 25.5 million DLHs, down from about 27.7 million in the FY 1994 calculation.

The Air Force data presented above are shaped by the following specific assumptions:

- Five significant privatization prototypes will be carried out at Sacramento Air Logistics Center (SM-ALC) and San Antonio Air Logistics Center (SA-ALC) effective in FY 1997.
- Two joint (public/private sector) ventures will be carried out at Oklahoma City Air Logistics Center (OC-ALC) and Warner Robins Air Logistics Center (WR-ALC) over FY 1998-FY 2001.
- Aerospace Guidance and Metrology Center (AGMC) workloads are totally privatized beginning in FY 1997.
- SM-ALC and SA-ALC facilities will be turned over to their respective local redevelopment authorities in conjunction with BRAC-directed base realignment and closure requirements during FY 1997-FY 2000. Source of repair determinations will be made for the substantial workloads currently performed by the depots (e.g., consolidate the workloads to other DoD depots or to private sector activities).
- Privatization will not occur at these levels unless best value can be obtained from the private sector or the risk of privatizing is unacceptable.

The data for FY 1997-FY 2001 show that programmed funding for total Air Force depot maintenance workload remains relatively constant over the period. The funds used for accomplishment of depot-level and repair workloads by Federal Government personnel decrease approximately 29 percent (driven predominantly by privatization initiatives) while the funds used for accomplishment of depot-level and repair workloads by non-Federal Government personnel are projected to increase almost 57 percent (again, the result largely of privatization of current Air Force depot maintenance facilities). As can be seen, it is projected that the Air Force will exceed the current Section 2466 statutory limitation that no more than 40 percent of the funds made available in a fiscal year to a Military Department or a Defense Agency for depot-level maintenance and repair workload may be used to contract for the performance by non-Governmental Federal personnel (private sector) in FY 1998. The funds used for accomplishment of depot-level and repair workloads by Federal Government personnel are projected to level out at about 46 percent of total funded workload in the out years.

SECTION III SECTION 2466 OF TITLE 10, U.S.C.

The Congressional reporting requirement calls for an analysis of the need for and effect of the requirement under Section 2466 that no more than 40 percent of the funds made available in a fiscal year to each Military Department for depot-level maintenance and repair is used to contract for the performance by non-Federal Government personnel of such workload. The requirement further calls for a description of the effect on military readiness and the national security resulting from this requirement, as well as a description of any specific difficulties experienced by DoD as a result of the requirement. This section of the report will first address the need and effects of mandating that a specific percentage of depot workload be accomplished in organic facilities by Government personnel and then will go on to discuss effects on readiness and DoD's management practices to meet the percentage requirement.

In the relatively recent past, about 70 percent of the funds made available in a fiscal year to each Military Department for depot-level maintenance and repair has been used for performance by Federal Government personnel of such workload. The facilities in which this work has been accomplished have historically been extensively capitalized, creating a substantial infrastructure and carrying with them high fixed expenses. The size of the work force was relatively fixed, and there was a predilection on the part of the Military Services to efficiently workload these facilities and work forces. Department policies and procedures in fact supported retention of this large infrastructure by systematically requiring organic depot maintenance support for virtually all systems. With the changing nature of the military threat to the United States, the related changes in force structure, and revised engagement scenarios, it became apparent that organic capabilities had to be reduced substantially. Additionally, the Department desires to eliminate much of the high-cost infrastructure that is attendant with such capabilities, to make resources available for other DoD priorities such as force modernization.

Similarly, the private sector was undergoing substantive change. Contemporary business processes helped develop responsive and flexible private sector repair capabilities. In many cases, these processes are more efficient than those in DoD's organic activities. DoD recognized that competition and business process reengineering shaped private sector capabilities in a most effective manner. At the same time, because of the changed nature of the private sector market place (i.e., the decline in DoD new systems acquisition programs), commercial firms have become increasingly interested in providing depot-level maintenance support to the Department.

Recognizing these changes, the Department evaluated its policies and processes that define how and where depot-level support is established and maintained. In a 1993 report² DoD outlined its revised approach to providing effective and efficient depot-level support to its forces. The concept outlined in this report for providing CORE capabilities, provides a rational basis for sizing the organic sector of the Department's depot maintenance operations. A subsequent review and report by a joint Industry-Defense Department Task Force, basically

² *Integrated Depot Maintenance Management*, Office of the Under Secretary of Defense for Logistics, October, 1993.

validated the DoD concept and approach.³ In 1995, the Secretary of Defense validated the need to maintain organic CORE depot maintenance capabilities to meet essential wartime demands, promote competition, and sustain institutional expertise.⁴

Having outlined the above evolution, it is appropriate to review the first basic issue in question: "Is there a need for an arbitrary amount of depot-level maintenance (in the current case, a minimum of 60 percent of the annual funds) to be performed in DoD's organic depot maintenance facilities?" It is appropriate to point out that there is no known analytical basis for the 60 percent floor; it is rather based on past levels of organic activity and a subjectively supported view of DoD's needs for organic capacity. The CORE methodology on the other hand, provides a reasonable, quantitative approach to identifying the need for, and size of, required organic capabilities. It bases these capabilities directly on the principal missions of the Department. This approach establishes and retains critical capabilities. For other work, however, the Department can pursue private sector solutions and benefit from competitively-driven costs. DoD is committed to providing needed CORE depot-level maintenance capabilities – and has a sound methodology for determining what is needed. The Department's approach is fully consistent with, and supportive of, the basic premise of the fundamental legislative mandate to DoD to provide CORE depot maintenance capabilities as specified in Section 2464 of Title 10, U.S.C. The Department should not, however, be forced to size its organic operations using arbitrary limitations, or otherwise be directed to be responsive to guidance not related to analytically-derived Military requirements or sound business practices.

To date, as indicated by the data presented in Section I, the Military Services have continued to sustain organic work at above 60 percent of total depot-level maintenance and repair funding, as required by Section 2466. This is fundamentally the result of having the substantive infrastructure left over from the Cold War era. The Services have attempted to workload that infrastructure in an efficient manner and, thus, have had to identify substantial amounts to place into organic depots. Recognizing the need to downsize its infrastructure, DoD has moved to close facilities and eliminate capacity (using both the base realignment and closure (BRAC) process and internal management initiatives). But such efforts take time. By FY 2001, DoD will have closed some 19 major depot maintenance facilities and downsized numerous others, retaining infrastructure that can be directly linked to CORE requirements and operated effectively to provide these capabilities.

The above having been stated, the next issue to be addressed is what, if any, effects has the Section 2466 requirement had to date on Department operations. It is correct to state that the Section 2466 requirement has influenced the Department's approach to depot maintenance management for some time. For example, if DoD determined that lower cost government-owned, contractor-operated (GOCO) facilities provided depot maintenance support with acceptable risk, such an option could not be pursued because of the need to have at least 60 percent of the funds made available in a fiscal year to each Military Department for depot-level maintenance and repair, be used for Federal Government personnel accomplishment of such

³ Report of the Defense Science Board Task Force on Depot Maintenance Management, April 1994.

⁴ Secretary of Defense letter to Congress responding to recommendations of the CORM, August 24, 1995.

workload. Similarly, for new systems, reengineered improved support approaches could not be considered because of the need to maintain the relative size of the organic sector share of total workload.

Additionally, Section 2466 has other potential impacts on the Department. If a Service is already spending 40 percent of its depot maintenance funding for contracts involving non-Federal Government personnel, it may be required to direct repair of new systems by Federal Government personnel at higher costs than might otherwise be realized. Essentially, the Service would be forced to eliminate from consideration a wide range of support options that might optimize support of a new system. The Department wants to ensure that careful evaluation is given to all possible support alternatives such as those that package related logistics requirements for accomplishment by a single source. Similarly, the Services may be precluded from considering options such as GOCOs and privatization of existing infrastructure, both of which may result in reduced costs. Innovative approaches to satisfying depot maintenance requirements, through teaming with industry and using contract employees at organic facilities, might also be precluded.

With the variety and complexity of current platforms, combat systems, and weapon systems, the ability to support military readiness and national security must be viewed at multiple levels. The amount of expertise, facilities, and equipment vary widely within each product. While some of these systems share common repair characteristics, it is unrealistic to believe that a simple ratio can be applied to all depot maintenance and repair. Some systems that are heavily supported by dual-use technology, may not require the same level of in-house capability and capacity as systems which are unique to the military. Additionally, in some cases, there currently exists only one source of depot repair. As workload declines, it may be prudent to place all of the capability and capacity in one location because of the level of support required.

The data in Section II indicates the direction the Department would like to take in shaping its depot maintenance operations. It is obvious from the data that DoD needs relief from Section 2466 to evolve to a CORE-based infrastructure and workload position. Without such relief, each Service will be required to retain and perform workload that is not required to sustain analytically-derived CORE capabilities.